

152 FERC ¶ 61,197  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Philip D. Moeller, Cheryl A. LaFleur,  
Tony Clark, and Colette D. Honorable.

PJM Interconnection, L.L.C.

Docket Nos. ER15-1344-001  
ER15-1344-002

PJM Interconnection, L.L.C.  
Potomac Electric Power Company

Docket No. ER15-1387-001

ORDER ACCEPTING AND SUSPENDING TARIFF REVISIONS AND  
ESTABLISHING TECHNICAL CONFERENCE

(Issued September 15, 2015)

1. On March 20, 2015, as amended on March 27, 2015, PJM Interconnection, L.L.C. (PJM) submitted, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> amendments to its Open Access Transmission Tariff (Tariff)<sup>2</sup> to incorporate cost responsibility assignments for 61 baseline upgrades included in the recent update to the PJM Regional Transmission Expansion Plan (RTEP) (March 2015 RTEP Filing). We find that the proposed tariff revisions have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, we accept such tariff records for filing and suspend their effectiveness for five months, subject to refund, to become effective February 16, 2016, or an earlier date set forth in a subsequent order, subject to further order by the Commission following a technical conference, as set forth in this order.

**I. Background**

2. In accordance with the PJM Tariff and the Amended and Restated Operating Agreement (Operating Agreement), PJM is required, within 30 days from when the PJM

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<sup>1</sup> 16 U.S.C. § 824e (2006).

<sup>2</sup> Capitalized terms used but not defined herein are intended to have the meaning given to such terms in the PJM Tariff.

Board of Managers (PJM Board) approves an RTEP or additions to an RTEP, to make a filing with the Commission under section 205 that includes, among other things, the list of entities that are responsible for paying the cost of each transmission project in the RTEP. Specifically, PJM's filing must identify the: (1) expansion or enhancement projects the PJM Board approved for inclusion in the RTEP; (2) estimated costs of the projects; (3) entities responsible for paying the costs of the projects, and (4) the entity PJM has designated to develop the projects.<sup>3</sup>

3. In developing the RTEP, PJM selects in its regional transmission plan for purposes of cost allocation reliability projects to address different criteria, including PJM planning procedures, North American Electric Reliability Corporation (NERC) Reliability Standards, Regional Entity reliability principles and standards,<sup>4</sup> and local transmission owner planning criteria.<sup>5</sup> Types of reliability projects selected in the RTEP for purposes of cost allocation include Regional Facilities,<sup>6</sup> Necessary Lower Voltage Facilities,<sup>7</sup> and

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<sup>3</sup> See Operating Agreement, Schedule 6, § 1.6 (b) and PJM Tariff, Schedule 12, § (b)(viii).

<sup>4</sup> As established by ReliabilityFirst Corporation, Southeastern Electric Reliability Council, and other applicable Regional Entities. See PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, §1.2(b) and §1.2(d) (Conformity with NERC and Other Applicable Reliability Criteria).

<sup>5</sup> The local transmission owner planning criteria are filed with the Commission as part of FERC Form No. 715 and posted on the PJM website. PJM Transmission Owners Transmittal at 3. See PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, §1.2(e) (Conformity with NERC and Other Applicable Reliability Criteria).

<sup>6</sup> Regional Facilities are defined as Required Transmission Enhancements included in the Regional Transmission Expansion Plan that are transmission facilities that: (a) are alternating current (AC) facilities that operate at or above 500 kV; (b) are double-circuit AC facilities that operate at or above 345 kV; (c) are AC or direct current (DC) shunt reactive resources connected to a facility from (a) or (b); or (d) are DC facilities that meet the necessary criteria as described in section (b)(i)(D). PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities).

<sup>7</sup> Necessary Lower Voltage Facilities are defined as Required Transmission Enhancements included in the Regional Transmission Expansion Plan that are lower voltage facilities that must be constructed or reinforced to support new Regional Facilities. PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and (continued ...)

Lower Voltage Facilities.<sup>8</sup> In its order on the PJM Transmission Owners' proposed tariff revisions to comply with the regional cost allocation requirements of Order No. 1000,<sup>9</sup> the Commission approved a hybrid cost allocation method for Regional Facilities and Necessary Lower Voltage Facilities.<sup>10</sup> As approved, one half of the costs of Regional Facilities or Necessary Lower Voltage Facilities are allocated on a postage-stamp load-ratio share basis and the other half are allocated based on the solution-based distribution factor analysis (DFAX). All of the costs of Lower Voltage Facilities are allocated using solution-based DFAX.

## **II. March 2015 RTEP Filing**

4. On February 18, 2015, the PJM Board approved changes to the RTEP, which included approximately \$551 million in additional baseline transmission enhancements and expansions. The cost responsibility assignments in the March 2015 RTEP Filing include one Regional Facility that will operate at 500 kV, and sixty Lower Voltage Facilities. Consistent with PJM's regional cost allocation method, 50 percent of the costs are allocated using a solution-based DFAX analysis and 50 percent based on a load ratio share basis for the reliability project that is a Regional Facility, project b2582. The sixty Lower Voltage Facilities are reliability projects that are not needed to support Regional Facilities and, thus, 100 percent of their costs are allocated based on a solution-based DFAX analysis.

5. On June 16, 2015, Commission staff issued a deficiency letter advising PJM that the March 2015 RTEP Filing was deficient and requiring PJM to provide additional information (Deficiency Letter). The Deficiency Letter sought information regarding:

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Necessary Lower Voltage Facilities).

<sup>8</sup> Lower Voltage Facilities are defined as Required Transmission Enhancements that: (a) are not Regional Facilities; and (b) are not "Necessary Lower Voltage Facilities." PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(ii) (Lower Voltage Facilities).

<sup>9</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011) (Order No. 1000), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

<sup>10</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013).

(1) the process and analysis PJM uses to re-categorize a Supplemental Project<sup>11</sup> as a baseline upgrade that is eligible for regional cost allocation and the process PJM followed to make such a re-categorization for project b2582; (2) the process by which a PJM Transmission Owner updates its local planning criteria and the process that was followed to update local planning criteria related to project b2582; and 3) the processes PJM followed with respect to the identification and analysis of project b2582, including opportunities for stakeholder input and whether PJM established a proposal window for the needs that are addressed by project b2582.

6. On July 17, 2015, PJM submitted a response to the Deficiency Letter (Deficiency Letter Response). Among other things, PJM stated that there are no provisions in the Tariff, Operating Agreement, or PJM Manuals that explain how PJM re-categorizes a Supplemental Project to a baseline upgrade that is eligible for regional cost allocation<sup>12</sup> or that detail the process by which a transmission owner updates its local planning criteria.<sup>13</sup> PJM also stated there was no reason to solicit proposals for the needs that are addressed by project b2582 through a proposal window because project b2582 is a rebuild of an existing transmission facility, which the Operating Agreement requires be assigned to the Transmission Owner.<sup>14</sup>

### **III. PJM Transmission Owner Cost Allocation Proposal for Transmission Projects Driven by Local Planning Criteria**

7. On March 26, 2015, in Docket No. ER15-1387-000, the PJM Transmission Owners proposed revisions to Schedule 12 of the Tariff to change the cost allocation methodology for reliability projects that are selected in the RTEP solely to address local transmission owner planning criteria. On May 22, 2015, the Commission rejected the proposal,<sup>15</sup> and PJM Transmission Owners and Dayton each filed a request for rehearing

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<sup>11</sup> A Supplemental Project is defined as a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by PJM, and is not a state public policy project pursuant to Operating Agreement, Schedule 6, § 1.5.9(a)(ii). PJM, Intra-PJM Tariffs, Operating Agreement (Definitions).

<sup>12</sup> Deficiency Letter Response at 3.

<sup>13</sup> Deficiency Letter Response at 5.

<sup>14</sup> Deficiency Letter Response at 10 (citing Operating Agreement, Schedule 6, § 1.5.8(l)).

<sup>15</sup> *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,172 (2015) (May 22, 2015 Order).  
(continued ...)

and raised issues related to the March 2015 RTEP Filing. Specifically, the PJM Transmission Owners and Dayton identify issues related to how Transmission Owners conduct local transmission planning within the PJM regional transmission planning process and whether the integration of local and regional planning requirements are in compliance with PJM's Order No. 1000-compliant planning procedures.

#### **IV. Notice of Filing and Responsive Pleadings**

8. Notice of the March 20, 2015 filing was published in the *Federal Register*, 80 Fed. Reg. 15,999 (2015), and notice of the March 27, 2015 amendment was published in the *Federal Register*, 80 Fed. Reg. 18,225. Interventions and protests were due on or before April 20, 2015.

9. A timely notice of intervention was filed by Illinois Commerce Commission. Timely motions to intervene were submitted by: Exelon Corporation; American Electric Power Service Corporation; Consolidated Edison Company of New York; Dayton Power and Light Company (Dayton); Rockland Electric Company; Delaware Division of the Public Advocate; Pepco Holdings, Inc.; Potomac Electric Power Company; Delmarva Power & Light Company; Atlantic City Electric Company; Old Dominion Electric Cooperative (ODEC); Dominion Resources Services (Dominion Resources); FirstEnergy Service Company; PPL Electric Utilities; PSEG Energy Resources & Trade LLC; Public Service Electric and Gas Company; and American Municipal Power, Inc.; Dominion Resources, on behalf of Virginia Electric and Power Company and North Carolina Electric Membership Corporation filed comments in support of PJM's March 2015 RTEP Filing.

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On June 22, 2015 Linden VFT, LLC filed a request for clarification of the May 22, 2015 Order.

10. On March 24, 2015, Dayton filed a protest of the cost allocation for project b2582. Dayton argues that PJM's cost allocation for project b2582, the Cunningham-Elmont 500 kV End of Life Project, should be rejected because the project is a local project that Dominion originally proposed as a Supplemental Project and is needed solely to address Dominion Resources' local planning criteria.

11. On April 8, 2015, ODEC filed an answer to Dayton's protest. On April 15, 2015, Dayton filed an answer to ODEC's answer. On April 23, 2015, PJM filed an answer to ODEC's protest. On April 27, 2015, Dayton filed an answer to PJM's answer. On April 30, 2015, ODEC filed answer to Dayton's answers.

12. Notice of July 17, 2015 Deficiency Letter Response Filing was published in the *Federal Register*, 80 Fed. Reg. 44,951 (2015), with comments due on August 7, 2015. ODEC and North Carolina Electric Membership Corporation filed timely comments in support of the Deficiency Letter Response. Dayton filed a timely protest of the Deficiency Letter Response.

## **V. Discussion**

### **A. Procedural Matters**

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>16</sup> the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

14. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority.<sup>17</sup> We accept the answers filed by ODEC, Dayton, and PJM because they have provided information that assisted us in our decision-making process.

### **B. Commission Determination**

15. Our preliminary analysis indicates that the amendments to PJM's Tariff in PJM's March 2015 RTEP Filing have not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. We find that PJM's March 2015 RTEP Filing and Deficiency Letter Response raise issues that cannot be resolved based on the record before us and are more appropriately

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<sup>16</sup> 18 C.F.R. § 385.214 (2015).

<sup>17</sup> 18 C.F.R. § 385.213(a)(2) (2015).

addressed in a technical conference. Accordingly, we will accept the proposed Tariff revisions for filing, suspend them for five months, to become effective in February 16, 2016, or an earlier date set forth in a subsequent order, subject to refund, and direct staff to hold a technical conference in this matter. Although we are establishing a technical conference, we do not find merit in Dayton's argument for rejecting the cost assignment for project b2582. The record indicates that Dominion followed the appropriate procedures to update its local planning criteria. Specifically, after Dominion presented its proposal to add end of life criteria to its individual transmission planning criteria at a PJM Planning Committee meeting, Dominion adopted the proposed criteria in its FERC Form No. 715. Thus, Dominion's revisions to its individual transmission planning criteria will not be discussed at the technical conference. Instead, the technical conference will focus on PJM's application of its Order No. 1000-compliant planning procedures, including PJM's process for opening proposal windows.

16. In addition to the concerns identified by the parties in the March 2015 RTEP Filing, we also acknowledge that the rehearing requests in Docket No. ER15-1387-001 raise related concerns regarding how PJM plans for local transmission projects, and therefore, a joint technical conference will be convened to address issues regarding PJM's Order No. 1000 planning procedures in all dockets. Issues to be addressed include, but are not limited to, the process for soliciting, identifying, and selecting the more efficient or cost-effective regional transmission solutions for all needs for purposes of cost allocation. Commission staff will post the details of the technical conference in a subsequent notice. Parties should be prepared to address the issues raised and to fully support their positions. Following the conference, the parties will have an opportunity to file written comments that will be included in the formal record of the proceeding, which, together with the record developed to date, will form the basis for further Commission action.

The Commission orders:

(A) The tariff records listed in the PJM Tariff, Schedule 12, Appendix A of Docket No. ER15-1344-001, *et al.*, are accepted and suspended, to become effective February 16, 2016, or an earlier date set forth in a subsequent order, subject to refund, and subject to further order by the Commission following a technical conference.

(B) The Commission staff is hereby directed to convene a technical conference to further explore the issues raised in Docket No. ER15-1344-001, *et al.* and ER15-1387-001, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.